ATLANTIC PROVINCES ECONOMIC COUNCIL

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Report Card

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Competitive Challenges in Atlantic Agriculture

Agricultural production has fallen in Atlantic Canada since 2001 revealing the various competitive challenges facing this sector. Lagging productivity gains and limited technological advances are partly behind the decline in competitiveness. Greater integration with national and North American markets has also reduced margins in some sectors.

APEC estimates that regional farm output fell 5-6% between the 2001 and the 2006 Census of Agriculture. Production in Newfoundland and Labrador was 10% higher but output decreases in the three Maritime provinces were in the -4 to -11% range. By contrast, Canadian farm output increased about 1.5%. The region's share of Canadian farm product sales fell from 3.8% to 3.7% over this period with support payments for Atlantic farmers rising from $35 million to $115 million.

The net loss from 2001 to 2006 of 400 small and mid-size farms, with receipts under $500,000, reduced Atlantic production by 7-8%. This was partially offset by increased production on larger farms. Farms with receipts over $500,000 increased their share of total Atlantic farm receipts from 60% in 2001 to 65% in 2006. There were 778 such large farms in the region in 2006 including 270 with annual revenues over $1 million. Canadian agriculture had similar decreases of smaller farms but stronger growth on large farms.

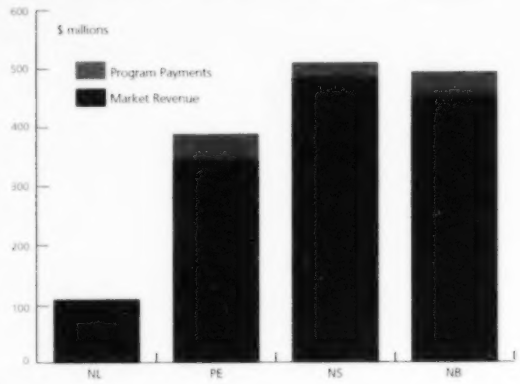
In 2006, farms both regionally and nationally, reported operating expenses that were 10% higher than in 2001, with notable increases in energy and labour costs. However, per unit cost increases were greater in Atlantic Canada eroding the overall cost competitiveness of the region's farms. In the Atlantic region, reported expenses increased from $0.877 to $0.944 per dollar of product sales. In Quebec expenses declined slightly to $0.909 per dollar of product sales and Ontario expenses increased from $0.901 to $0.927.

Agriculture remains a small but important part of the Atlantic economy, particularly in areas like the Annapolis Valley and Prince Edward Island. In 2006, the 8,829 Census farms in Atlantic Canada reported revenues totaling $1.5 billion. The combined labour force of agriculture, processors and related businesses remains over 30,000 or 3% of the region's total workers. In the Maritime provinces, 6% of the non-urban labour force is attached to agriculture and related sectors.

Mixed Performance by Sector

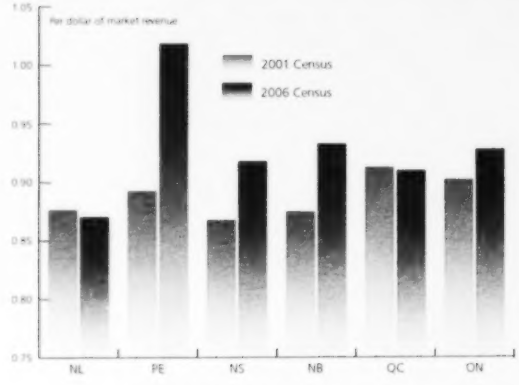
Robust export and domestic demand supported expansions over the last five years in Atlantic sectors such as mink, blueberries, greenhouse floriculture and chicken. The mink industry almost doubled in size over the 2001 to 2006 period. Nova Scotia now accounts for 50% and the region 60% of Canadian production. Blueberry acreage increased by 8% to 72,000 acres and greenhouse floriculture area increased by 12%. Chicken production increased by 10%. In New Brunswick, maple taps increased by 24% along with a sizeable increase in cranberry acreage. Newfoundland and Labrador's increased farm production largely arose from the acquisition of national dairy quota. The province's milking herd increased from 4,700 to 6,300 cows.

Gross Farm Revenues, 2006 Census



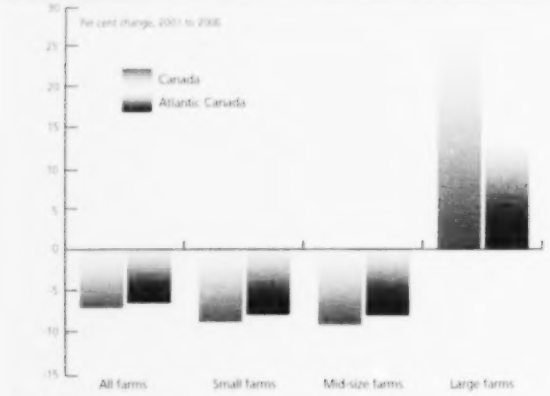
Source: Statistics Canada, Census of Agriculture.

Farm Operating Expenses, Eastern Provinces



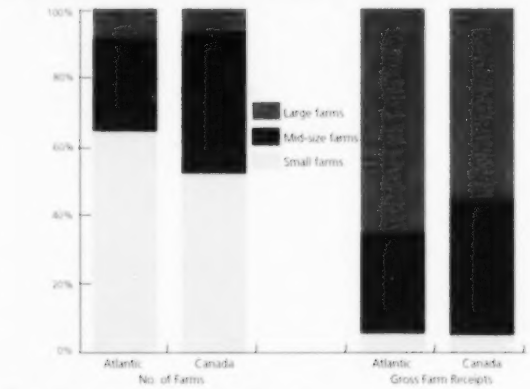
Source: Statistics Canada, Census of Agriculture.

Change in the Number of Census Farms by Size



Source: Statistics Canada, Census of Agriculture.

Distribution of Farms by Size, 2006



Source: Statistics Canada, Census of Agriculture.

Atlantic farms have long accounted for an eighth or more of Canada's strawberry crop partly due to R&D support from the Kentville Research Station. Strawberry acreage in 2006 was sharply lower in all Canadian growing regions as a result of the growing scarcity of pickers. This is a harbinger of the future. The labour intensity of agriculture has decreased over time and this trend will accelerate.

The most sizeable decreases in Atlantic production occurred for hogs, vegetables, potatoes and grain. The termination of federal grain transport policies in the 1990s and the sizeable expansions and cost reductions achieved in other producing regions have challenged the competitiveness of Atlantic hog farms and plants. The closure of the region's last vegetable canning plant reduced the demand for processing crops while fresh market vegetable farms have been pressured by retailers changing to centralized distribution systems with single regional delivery locations. Potato land use measures on Prince Edward Island, along with industry initiatives to improve prices, were a factor in the reduced acreages there. Although overall grain acreage in the Atlantic region has declined over the past five years, grain corn and soybean plantings increased by 50% to 30,000 acres. The current high prices for feed grains related to the ethanol boom will likely spark a recovery in acreage while new crop technologies such as Bt corn are improving yields.

Technology is Critical

Success in agriculture is determined to a large degree in a productivity race and the pace is brisk. North American agriculture has achieved average productivity gains of almost 2% for over 50 years. As a science and technology-based industry, technical resources including R&D and education are key determinants of growth and competitiveness. The management intensity of farming has increased so the supply and support of top managers is also part of this equation.

Most agricultural technology is developed outside the region and much of it is location neutral. However, some technologies are more or less suited to the specific physical (soil and climate) and economic conditions affecting Atlantic farms. For example, the Honey Crisp apple, developed at the University of Minnesota, is particularly well suited to the Annapolis Valley and is helping to boost margins and orchard investment in the Valley. Many technologies can be adapted or modified to better suit the unique conditions of different regions. While Atlantic agriculture has lost some technical resources, in relative terms it still has sizeable R&D infrastructure including stand-alone agricultural and veterinary colleges and four federal research centres. Performance across this system in delivering technical advances is a key factor shaping agriculture in the region.

Conclusion

Atlantic Canada's agricultural industry is highly diversified with a wide range of situations across farm businesses. However, so far this decade, declining sectors have dominated the overall picture. The relative rate of technical change in the region is a particular concern for future competitiveness. The region's technical resources need to be more sharply focused to better apply new global knowledge and technologies to the unique conditions affecting Atlantic farms.

Report Card **is published four times per year by the Atlantic Provinces Economic Council (APEC) and is sponsored by The Bank of Nova Scotia[1]. Information on *Report Card* and/or on the Atlantic Provinces Economic Council is available from:**

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